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IN THE

Supreme Court of the United States

OCTOBER TERM, 1964.

No. 266

KNAPP-MONARCH COMPANY,
Petitioner,

vs.

CASCO PRODUCTS CORPORATION,
Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT.

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THE GUTHRIE-WARREN PRINTING COMPANY, CHICAGO

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IN THE

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No. _____

KNAPP-MONARCH COMPANY,

Petitioner,

vs.

CASCO PRODUCTS CORPORATION,

Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT.

Knapp-Monarch Company prays that a Writ of Certiorari issue to review the judgment of the United States Court of Appeals for the Seventh Circuit, entered on March 23, 1965 in its cause numbered No. 14,788.

OPINIONS BELOW.

The Decision of the District Court for the Northern District of Illinois, entered on the 27th day of May, 1964, ruling favorably on Casco's Motion to Dismiss for lack of venue has not been reported, but is set forth herein as Appendix B. The Court's Order of dismissal is set forth herein as Appendix C.

The Opinion of the Seventh Circuit Court of Appeals, affirming the District Court's Order of dismissal of Casco for lack of venue was rendered on March 23, 1965, and is reported at 342 F. 2d 622. That Opinion is set forth herein as Appendix A.

GROUNDS OF THE COURT'S JURISDICTION.

The Opinion of the Seventh Circuit Court of Appeals is dated March 23, 1965. This Court has jurisdiction under 28 USC §§ 1254(1) and 2101(c).

QUESTION PRESENTED.

Where acts of patent infringement by a non-resident defendant in the district of suit have been demonstrated, (as required by *Fourco* v. *Transmirra,* 353 U. S. 222), does the term "regular and established place of business" (as found in 28 USC § 1400(b)) relate to the defendant's scope of business dealings in the district of suit or does it relate to the physical form of the establishment through which defendant's business presence in the district is manifested?

STATUTE INVOLVED.

The Statute involved is 28 USC § 1400(b) reading:

> "(b) Any civil action for patent infringement may be brought in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business. (June 25, 1948, ch. 646, 62 Stat. 936.)"

STATEMENT OF THE CASE.

This is an action for patent infringement. Knapp-Monarch Company, (hereinafter called "K-M") is a corporation of Delaware having its principal place of business in St. Louis, Missouri and a place of business in Chicago, Illinois in the judicial district in which suit was filed (A. 3).* K-M, as owner of U. S. Patent No. 3,038,269, had notified Casco Products Corporation (hereinafter called "CASCO"), a Connecticut corporation, by letter of November 6, 1962 that CASCO was infringing the said patent (A. 4).

Almost one year after such notification to CASCO, on November 4, 1963, K-M initiated the instant lawsuit, in the Northern District of Illinois, against both CASCO and one E. A. LANGENFELD ASSOCIATES, LTD., (hereinafter called "LANGENFELD"), an Illinois corporation that served as a manufacturer's representative for CASCO in the district of suit.

In the relevant period of time between the charge of infringement on November 6, 1962 and the filing of suit by K-M on November 4, 1963, CASCO continuously maintained many varied contacts in Chicago, the details of which are set out in the District Court's Opinion (Appendix B, pp. xx-xxi). During this relevant time period, the principal channels for CASCO's business contacts within the district of suit were, stated briefly (App. A, pp. ii-iii):

1. CASCO's authorizing of Master Electric Service Company in Chicago to effect repairs on appliances under the terms of a warranty which accompanied each CASCO product, with CASCO paying one-half of the Red Book (classified

* The designation (A. .....) refers to the page of the Record below appearing as an Appendix attached to Appellant's Brief in the Court of Appeals.

telephone) listing of said Master Electric Company under the designation of "Casco Authorized Service";

(2) Casco's effecting of an across-the-counter replacement policy under which retailers or wholesalers were authorized by Casco to honor Casco's warranty by exchanging a new product for a defective product, the cost of which was borne by Casco;

(3) Casco's renting in January and July of 1963, space at the Housewares Show, a national trade show which is held semi-annually in Chicago at which Casco made showings, simultaneously with Casco's renting in Chicago of a "hospitality suite" for entertaining prospective customers and for holding general sales meetings. Casco admitted selling two of the accused devices at these Housewares Shows held in 1963.

(4) Casco's contracting on July 1, 1962 with Langenfeld, who has its office and sole place of business in the Merchandise Mart in Chicago, to continuously act as Casco's sales representative to solicit orders for Casco's products in the Chicago area on a regular and systematic basis (A. 15-20). The directory at Merchandise Mart carried Casco's name to assist customers in contacting Casco's representative Langenfeld. Langenfeld's solicitation of orders for the accused devices resulted in regular, continuous and systematic payment of commissions by Casco to Langenfeld during each month of 1963 (A. 39).

On November 12, 1963, one week after the filing of the instant lawsuit, Casco transferred that portion of its business relating to the accused devices to another company[1],

1. This transfer of the business to another had not made the issue of damages for past infringement moot, since on March 30, 1965, after the Opinion by the Seventh Circuit affirmed the dismissal of Casco for lack of venue, Casco initiated a Declaratory Judgment Action, Civil Action No. 2994, involving the same Patent No. 3,038,269 against K-M in the District Court of Delaware, a judicial district where neither party maintains a place of business.

and shortly thereafter LANGENFELD's representation of CASCO was terminated.

On December 18, 1963, CASCO moved to dismiss the Complaint against it on the basis of improper venue[2]. The District Court on May 27, 1964 held that although CASCO had committed acts of infringement in the district of suit, venue was improper on the basis that CASCO did not have a "regular and established place of business" in the district of suit.

In its Opinion on March 23, 1965, the Seventh Circuit affirmed the District Court's Order of Dismissal of CASCO holding: (a) that acts of infringement by the non-resident CASCO in the district of suit coupled with facts to show that CASCO was "doing business" in the district failed to meet the requirements of 28 USC § 1400(b), and (b) that CASCO's diffusion of its many and varied activities in the district of suit operated as the antithesis of a regular and established place of business.

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2. LANGENFELD moved for dismissal on the basis that it had never committed an act of infringement. The District Court found that acts of infringement had been committed by LANGENFELD, but, on the basis of a finding of *de minimis*, entered judgment "*on its merits*" for LANGENFELD. The Circuit Court ruled that the District Court should have refused to exercise jurisdiction and should not have entered judgment of dismissal "on its merits", and it remanded with directions to correct the order of dismissal involving LANGENFELD.

REASONS FOR GRANTING THE WRIT.

A. The Seventh Circuit Has Decided an Important Question of Federal Law Which Has Not Been, but Should Be, Settled by This Court, Particularly In View of the Decision's Conflict With Prior District Court Decisions.

Since jurisdiction to hear cases involving patent infringement vests solely with the federal courts (28 USC § 1338), the question of proper venue of a patent infringement action is an important question of federal law.

The Supreme Court has made it certain that venue in patent infringement actions is governed solely and exclusively by 28 USC § 1400(b)[3], and that the patent venue act is not intended to dovetail with venue of other civil cases[4].

The patent venue statute lays venue in judicial districts (a) where the defendant resides, and (b) "where the defendant has committed acts of infringement and has a regular and established place of business".

As more fully pointed out hereinafter, one intent of Congress (in 1897), in laying venue in judicial districts other than the one where the defendant resides (a corporation's state of incorporation), was to broaden the rights of the patent owner "... for it is very inconvenient to travel across the continent to sue them, when they are infringing in a business established near the plaintiff or the owner of the patent"[5], and so that the patent owner might institute a court action "... against the infringer *in the place where the business is carried on*"[5]. (emphasis added.)

3. *Fourco Glass Co.* v. *Transmirra Products Corp.*, 353 US 222 (1957).

4. *Stonite Products Co.* v. *Melvin Lloyd Co. et al.*, 315 US 561 (1942).

5. 29 Congressional Record (1897), page 2719 (Explanation to the Senate of HR 10202 - 54th Congress, Second Session).

Since the court below found that Casco had committed acts of infringement in the district of suit, and the Seventh Circuit ruled that the facts of Casco's activities in the district of suit "... might well indicate that it was 'doing business' in the Chicago area ...", the only issue that remained was to determine what should be the proper interpretation of the term "regular and established place of business", and how to apply the proper interpretation to the facts in this case. This precise issue has not previously been decided by the Supreme Court, and, with one exception,[6] has not previously been considered by the various Circuit Courts.

Some District Courts have considered the issue raised in this Petition inferentially in reaching their decision. Thus, in those cases, where an act of infringement had been committed by, or on behalf of, a non-resident defendant in the district of suit, and where said defendant had contracted with a local, independent sales representative to solicit orders for the defendant's products, the Courts have consistently interpreted the language of the patent venue statute to be satisfied by those facts.[7] The Seventh Circuit's decision herein clearly is in direct conflict with these decisions.

Furthermore, the Seventh Circuit's decision appears to be in conflict with the recent trend of opinions in related cases. Thus, in *Ronson Art Metal Works* v. *Brown and*

6. In *Phillips et al.* v. *Baker et al.* (9 Cir. 1941), 121 F. 2d 752, 755 the Circuit Court properly suggested that in a case where a non-resident defendant committed acts of infringement in the district, in order to reach a decision whether the defendant had a "regular and established place of business" in the district of suit, one first has to interpret and define what those terms mean.

7. *Chadeloid Chemical Co.* v. *Chicago Wood Finishing Co. et al.* (DC SD NY-1910-Judge L. Hand), 180 Fed. 770.

Latini et al. v. *R. M. Dubin Corp.* (DC ND ILL.-1950-Judge Campbell), 90 F. Supp. 212.

Sherman Paper Products Corp. v. *Sorg Paper Co.* (DC ED Mich. SD-1958-Judge Levin), 161 F. Supp. 44.

Bigelow, Inc. (SD NY 1952), 104 F. Supp. 716, 724, Judge Murphy in considering if venue was proper under § 1400(b), ruled that ". . . the activity held to amount to 'doing business' . . . (is) sufficient to support 'a regular and established place of business' . . .". In *Watsco, Inc.* v. *Henry Valve Co.* (DC SD NY-1964), 232 F. Supp. 38, 47, Judge Edelstein comprehensively analyzed the background and decisions of a large number of cases dealing with the issue of proper venue under the patent venue statute, and he concluded that cases in the Court of Appeals for the District of Columbia, the Seventh Circuit, and several district courts, in their rulings on patent venue issues show ". . . the tendency has been to prevent corporations from interposing their foreign citizenship as a shield to venue when sufficient contacts exist with the forum in which suit has been brought."

On the other hand, no prior Supreme Court, Circuit Court or District Court case has been found wherein, after there has been a clear finding that the defendant committed an act of infringement in the district of suit, the Court then dismisses for lack of venue on the basis that the non-resident defendant is only represented locally by a sales representative.[8]

In reaching its decision on this important question of federal law, the Seventh Circuit apparently declined to follow its own frequently-quoted and widely-accepted interpretation, in *Shelton* v. *Schwartz* (7 Cir. 1942), 131 F. 2d 805, 808: "Nor should the term 'a regular and established

8. Casco attempted to cite some contrary authority below. But in *Shelton* v. *Norbute* (DC PA 1964), 228 F. Supp. 245, the findings were contradictory, in that it was said some accused acts "were committed in this district," while at the same time the Court said: "*All* orders are subject to acceptance in Hicksville (not the district of suit)". The Court did not dismiss but transferred under § 1404(a), thereby suggesting it had the parties properly before it.
In *B. Heller & Co.* v. *First Spice Co.* (DC ND ILL - 1959), 172 F. Supp. 46, the patent covered a *process;* so the Court was probably in error in finding that sale of *products* constituted acts of infringement in the district of suit.

place of business' be narrowed or limited in its contruction." Instead, the Seventh Circuit misplaced its reliance upon three Supreme Court cases which did not decide the precise issue raised in this Petition.[9]

It should thus be evident from the foregoing that this Court has never decided the important question of federal law raised here—namely, where a non-resident corporate defendant has committed acts of infringment in the district of suit and has maintained many varied contacts in the district, does the term "regular and established place of business" (28 USC § 1400(b)), relate to the defendant's scope of business dealings in the district or to the physical form of the establishment through which defendant's business presence in the district is manifested? The question

9. In *Transmirra* v. *Fourco Glass* (CA 2 - 1956) 233 F. 2d 885, the Second Circuit had decided that § 1391(c) supplemented that *portion* of § 1400(b) which lays venue in the first-stated locale—namely where the defendant "resides". It was this erroneous interpretation that the Supreme Court corrected in *Fourco Glass*, 353 US 222, and this Court's statements re sections 1391(c) and 1400(b) did not pertain to the question of whether a correct interpretation of "regular and established place of business" in the other portion of § 1400(b) is met by a corporation's "doing business" when coupled with acts of infringement in the district of suit.

In *Schnell* v. *Peter Eckrich & Sons*, 365 US 260 (1961), the issue was whether a non-resident manufacturer who openly assumed and controlled the defense of a customer in a patent infringement suit thereby subjected itself to jurisdiction and waived venue requirements.

In *Tyler* v. *Ludlow-Saylor*, 236 US 723, the Court's decision is clear that, as a matter of law, an act of infringement had *not* been committed in the district of suit. Nor did that case indicate any consideration of the Congressional intent behind enactment of Section 48 (28 USC § 109), the predecessor of the present § 1400(b). Further, *Tyler* cited as decisional authority *Green* v. *Chicago, Burlington & Quincy R. Co.* (1907), 205 US 530, which derived from a diversity action that was not relevant to the issue in *Tyler*. The rationale of *Green* has been substantially diluted by more recent pronouncements of this Court in cases such as *International Shoe* v. *State of Washington* (1945), 326 US 310. Lastly, *Watsco, Inc.* v. *Henry Valve Company* (DC SD NY-1964), 232 F. Supp. 38, 47, indicates that the recent tendency of courts is not to be bound by the *Tyler* case and its progeny.

now becomes one of considerable importance to the proper administration of federal procedure by the courts, because the decision by the Seventh Circuit Court is in direct conflict with a consistent line of decisions by District Courts which have been rendered in cases that involved controlling facts similar to those in the case below.

B. The Seventh Circuit's Decision and That of The District Court Which It Sanctioned Have So Far Departed From the Intent of Congress When Enacting the Predecessor of 28 USC § 1400(b), and Have So Far Departed From Prior Applicable Decisional Authority in the Interpretation of and Applying of Those Terms of Said Statute, as to Call for Exercise of This Court's Power of Supervision.

Whenever the terms of a specific federal statute are to be interpreted, it is relevant to know (a) the status of the law before enactment of the statute, (b) the intent expressed by Congress in enacting the statute, and (c) the manner in which courts have interpreted and applied the statute after its enactment.

Thus, in 1897, when HR 10202 (later Section 48 of the Judicial Code, 28 USC (1940 ed.) § 109) was presented to the House of Representatives, that body was informed, *inter alia*, that prior acts of 1887 and 1888 which amended the judiciary act gave rise to conflicting decisions, some of which appeared to limit a patent owner's choice of districts in which to sue for patent infringement, by holding that a defendant in a patent infringement case "... can no longer be sued outside of the district of which he is an inhabitant."[10] The purpose of the bill, as expressed by the bill's

10. 29 Congressional Record (1897), at page 1900.

formal report,[11] by the presentation to the House,[12] and by the presentation to the Senate,[13] shows an intent to provide for the bringing of patent infringement suits in

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11. *Id.* at 1900, col 2. The formal Report of the Committee on Patents which recommended and submitted HR 10202 states in part: ". . . It (the bill) further facilitates the bringing of suits in the place of business of the parties interested."

12. *Id.* at 1902. Representative Lacey, in support of the bill, argued:

Mr. Lacey ". . . When the party defendant who nominally infringes the patent lives in one place, but the real place where business is carried out is at another, *at present the place of the defendant's residence alone gives jurisdiction.* Business is going West, and a little plant on the Seaboard often grows into a tremendous institution when it goes to Chicago and the great interior places where the population resides; and to deprive the courts of that community of jurisdiction would work hardship by reason of the expense that it would cause of having to take depositions or transport witnesses a thousand miles in the trial of a case. Why not have the trial where the transaction occurs? The jurisdiction under this bill only applies to the permanent place of business, *or where the business is in existence.* (Emphasis added.)

Mr. Dalzell: Why not have a man punishable at the place where he commits the wrong?

Mr. Lacey: Why not?

Mr. Dalzell: The same principle applies, precisely.

Mr. Lacey: The principle is the same. . . ."

13. *Id.* at 2719. At the presentation of the bill to the Senate, the full explanation of the bill was stated as follows:

Mr. Platt: "Mr. President, corporations in these days that are using patented inventions go into various States and obtain charters or acts of incorporation and then do business in other States Now, to sue for an infringement of patent it is necessary that suit be brought in the State where the act of incorporation is obtained. In some of the States there is no provision for service upon anyone, and the corporations thus have an opportunity to infringe upon patents and almost escape any responsibility for it by reason of the difficulty of finding them in order to sue them, for it is very inconvenient to travel across the continent to sue them when they are infringing in a business established near the plaintiff or the owner of a patent. All there is about this bill is that *it authorizes suit to be brought against an infringer in the place where the business is carried on* and service to be made upon an agent in the case of a corporation. The bill was introduced in the House of Representatives by Mr. Lacey, and was fully considered there. I think it is right, and that there is no objection to it." (Emphasis added.)

districts where acts of infringement were committed and where the defendant's business is in existence.

After HR 10202 was enacted (and became known as *Section 48 of the Judicial Code*), Judge Learned Hand of the Southern District of New York had occasion to consider the proper interpretation of the term "regular and established place of business" in a case where a non-resident Illinois manufacturer committed acts of infringement in the district of suit and had contracted with an independent manufacturer's representative in the district to solicit orders. Thus in *Chadeloid Chemical Co.* v. *Chicago Wood Finishing Co. et al.* (DC SD NY 1910), 180 Fed. 770, after finding that a few sales in New York had been made for the account of the defendant Chicago manufacturer, Judge Hand stated his conclusion of law that "one may have a place of business without selling goods there," and supported his decision with the following rationale:

> "The question is whether the defendant has accepted his (sic) (the representative's) office as a place of business of their own—of such business as they might wish to do in the East. There seems to me no reasonable doubt that they did. They permitted it to be so advertised without protest. They used it when they wished to press slow debtors. It was the place where, at least in the case of the 'Yankee Cleaner,' their exclusive agents did business, and where they must naturally expect inquiries to come and be answered. In the face of their own advertisements, and of the representations that they allowed Olmstead to make, that he was their Eastern agent, they cannot with a good grace now deny that they had any business in the East at all, merely because most of their sales were concluded at Chicago. Certainly there was business—that is, a necessary part of the transactions they were carrying on—that took place in New York. It took place regularly at one place, which was permanently established for the purpose. Even if they committed

no act of infringement there, it would still be a place of business within the act, which clearly differentiates between the two . . ."

Since the enactment of Section 48, 28 USC (1940 ed.) § 109 (now 28 USC § 1400(b)), District Courts have continued to hold that venue in patent infringement cases is proper where a non-resident defendant commits an act of infringement in the district of suit, and has contracted with a local, independent manufacturer's representative in the district to engage in solicitation of orders for defendant's products.[14] Until the decision in the instant case, there had been no decision to the contrary where the same facts existed.

Now, one practical effect of the decision by the Seventh Circuit in this case is to deny venue in patent cases against non-resident corporate defendants, where such a corporate defendant selects the form of its business activities in the district to be one which utilizes independent contractors as agents, and regardless of the scope or quantum of its business activity in the district. Obviously, this puts form over substance, and permits the selection of one form of doing business by a non-resident corporation to flout the expressed intent of Congress in enacting the statute to "have a man punishable at the place where he commits the wrong."[15] The decision also ignores the practicalities of modern-day methods of doing business.

Another practical effect of the Seventh Circuit's decision is to unreasonably enlarge the disparity in venue selection available to contesting parties in suits arising out of a charge of patent infringement. Thus, take a situation where two corporations, each engaged in selling goods: (a) reside at opposite ends of the country, (b) engage in

14. *Latini et al.* v. *R. M. Dubin Corp.* (DC ND Ill. - 1950), 90 F. Supp. 212; *Sherman Paper Products Corp.* v. *Sorg Paper Co.* (DC ED Mich. SD - 1958), 161 F. Supp. 44.

15. Footnote 12, supra.

direct competition with each other throughout the entire United States, (c) have multiple contacts with each State so as to be "doing business" in each State, and (d) each consummates sales of good to customers within each State as a result of orders solicited by a local, independent manufacturers representative. Then, assume one corporation charges the other with patent infringement. Under those facts, the accused corporation could sue the first corporation for a declaratory judgment in any State, since venue for such an action is based on 28 USC § 1391(c).[16] Now, if the said established acts of infringement by the accused could be coupled with its "doing business" in the State in which suit is brought to satisfy § 1400(b), the patent owner would have an opportunity to select the forum for its suit that is essentially *equal* to the opportunity of selection now existing for the accused. But, the effect of the Seventh Circuit's Opinion below is to unreasonably limit the patent holder to suing the wrongdoer *only* in the judicial district of the latter's "residence". It is wholly unreasonable to believe that Congress ever intended the venue statutes to be interpreted to so one-sidedly favor one party to a dispute, particularly since Congress in 1897 did not intend the predecessor of § 1400(b) to be restrictive.

Moreover, the Seventh Circuit's decision, which has put its reliance upon a non-resident corporation's election to diffuse its various activities among multiple agencies in the district of suit—which thereby makes difficult the designation of one of such agencies as *the* place of its business in the district—establishes a ruling never heretofore made, and departs from the whole recent trend of decisions, in a great variety of situations most analogous to the one now presented, of setting proper venue in the district where the acts complained of have been committed.

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16. *Barber-Greene Co.* v. *Blaw-Knox Co.* (6 Cir. 1957-J. Stewart), 239 F. 2d 774; *Remington Rand, Inc.* v. *Knapp-Monarch Co.* (ED PA-1956), 139 F. Supp. 613.

Since it was one clear intent of Congress in 1897 to provide for proper venue in patent cases in districts where acts of infringement were committed by non-resident corporations, where the business of the defendant "is in existence"[17] or "where the business is carried on",[18] the Seventh Circuit's ruling operates to provide an obstacle and unreasonable shield against a holding of proper venue in a district where the defendant has been "doing business" on a systematic, regular and continuous basis through established contacts. In this case, the established contacts included both a manufacturer's representative for solicitation of orders and authorized agents for the servicing and exchange of the defendant's defective products.

In view of the foregoing considerations, it is submitted that the Seventh Circuit's decision below, and that of the District Court which it sanctioned, have so far departed from the intent of Congress and from prior applicable decisional authority in interpreting and applying the terms of the statute 28 USC § 1400(b), as to call for exercise of this Court's Power of supervision, and reversal of the decision by the Seventh Circuit.

CONCLUSION.

For the reasons stated, this Petition for Writ of Certiorari should be granted.

Respectfully submitted,

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June 16, 1965.

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17. Footnote 12, supra.
18. Footnote 13, supra.

Appendices

APPENDIX A.

IN THE UNITED STATES COURT OF APPEALS,

FOR THE SEVENTH CIRCUIT.

SEPTEMBER TERM, 1964 — JANUARY SESSION, 1965

No. 14788

KNAPP-MONARCH CO.,
Plaintiff-Appellant,
v.
CASCO PRODUCTS CORP. and E. A. LANGENFELD ASSOCIATES, LTD.,
Defendants-Appellees.

Appeal from the United States District Court for the Northern District of Illinois, Eastern Division.

MARCH 23, 1965

Before CASTLE, KILEY, and SWYGERT, *Circuit Judges.*

SWYGERT, *Circuit Judge.* This is an action for patent infringement brought by plaintiff Knapp-Monarch Company against defendants Casco Products Corporation and E. A. Langenfeld Associates, Ltd. Casco moved to dismiss the complaint for lack of proper venue, and the district court granted the motion. Langenfeld moved to dismiss the complaint on the ground that it had not infringed. The district court treated Langenfeld's motion as one for summary judgment and dismissed the complaint on the basis of *de minimis.* Plaintiff has appealed from the orders of dismissal. A summary of the facts follows.

Casco is a Connecticut corporation, having its principal place of business in Bridgeport, Connecticut. It manufactured and sold a steam and spray iron which plaintiff alleged infringed United States Letters Patent No. 3,038,269. Casco's only manufacturing plant is in Bridgeport. During the time relevant for our consideration, it had no employees in the State of Illinois. Although it maintained an account in a Chicago bank, it had no office or other facilities in the state.

The Master Electric Service Company of Chicago had a telephone listing as the "Casco Authorized Service" and was authorized by Casco to make repairs on appliances under the terms of a warranty which accompanied each Casco product. In 1963 Casco initiated an across-the-counter replacement policy. Under this policy the retailer or wholesaler who sold a defective Casco product was authorized by Casco to honor its warranty by taking back the product and giving to the customer a new one at no charge. The retailer or wholesaler was reimbursed by Casco.

For many years Casco rented space at the Housewares Show, a national trade show which is held semiannually in Chicago. During these shows Casco also rented a "hospitality suite" for entertaining prospective customers and for holding general sales meetings. It is conceded that two of the accused devices were sold at the 1963 shows.

Langenfeld was a manufacturer's representative for Casco's products in the Chicago area. A written agreement between the two companies described Langenfeld as an "independent businessman." Langenfeld had its office in the Merchandise Mart in Chicago, paying its own rent and other expenses. These expenditures were not reimbursed by Casco. Although Casco's name was listed on the directory of the Mart to assist customers in contact-

ing Casco's representative, the Casco name was not on the door of the Langenfeld office. As a manufacturer's representative, Langenfeld solicited orders for Casco products for which it received a commission. The orders were forwarded to Casco in Connecticut. The latter made shipments directly to the purchaser and the purchaser made payments directly to Casco. Casco called upon Langenfeld at times to check on delinquent accounts, but Langenfeld did not comply with these requests. Samples of the accused irons were displayed in Langenfeld's offices though they were never demonstrated or used by Langenfeld. Langenfeld made a gift or an accommodation sale of two of the accused irons to its employees.

On November 12, 1963, one week after filing of the instant action, Casco transferred that portion of its business relating to the accused devices to another company; and by the end of November, 1963, Langenfeld no longer represented Casco.

Casco's motion to dismiss.

The Supreme Court in *Fourco Glass Co.* v. *Transmirra Products Corp.*, 353 U. S. 222 (1957), made it certain that venue in patent infringement actions is governed exclusively by section 1400(b) of the Judicial Code, 28 U. S. C. § 1400(b). That section provides that such actions may be brought in the judicial district "where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business."

Casco, being a Connecticut corporation, was not a resident of Illinois. Accordingly, venue in the Northern District of Illinois could not be based on the first alternative requirement of the statute. Casco admitted, however, that it sold two of the accused devices during the 1963 House-

wares Show in Chicago. Therefore, the matter of venue depends upon whether the defendant had a regular and established place of business within the district.

Casco had many varied contacts in the State of Illinois. These contacts, simply because of their multiplicity and variety, do not demonstrate that the company, had a regular and established place of business within the state, although they might well indicate that it was "doing business" in the Chicago area within the meaning of that term as it is contained in the general venue statute, section 1391(c) of the Judicial Code, 28 U. S. C. § 1391(c).[1] Despite plaintiff's urging, we decline, however, to substitute the "doing business" test in section 1391(c) for the "regular and established place of business" test in section 1400(b). If we were to treat the two phrases as synonymous, we would ignore the holding in *Fouro Glass* to the effect that section 1391(c) does not supplement section 1400(b). Moreover, we would be inattentive to what the Court said in a later decision, when referring to section 1400(b) and *Fourco Glass*. "The language of this special statute is clear and specific." *Schnell* v. *Peter Eckrich & Sons*, 365 U. S. 260 (1961).

The narrow question remains: Did Casco's contacts and activities in Illinois amount to having "a regular and established place of business" within the meaning of section 1400(b)? We start with an analysis of its separate activities and contacts. Initially, we hold that Casco's maintaining a sales representative in Chicago does not meet the statutory test. In *W. S. Tyler Co.* v. *Ludlow-Saylor Wire Co.*, 236 U. S. 723 (1915), a Missouri corpora-

1. Section 1391(c) reads:

A corporation may be sued in any judicial district in which it is incorporated or licensed to do business or is doing business, and such judicial district shall be regarded as the residence of such corporation for venue purposes.

tion employed a sales representative in New York City. He solicited orders which were completed at the home office. The company paid him a salary, commission on sales, and traveling expenses. It also paid rent on the quarters he occupied to transact company business. In these circumstances, the Court held that the company did not have a regular and established business in New York so as to come within the meaning of section 1400(b)'s statutory predecessor. We are in agreement with the First Circuit's appraisal of the *Tyler* decision to the effect that solicitation of sales alone does not meet the statutory requirement. *General Radio Co.* v. *Superior Electric Co.*, 293 F. 2d 949 (1st Cir. 1961). The fact that Casco had its name listed on the building directory where Langenfeld had its office is not determinative when we are mindful that Casco paid none of Langenfeld's expenses, had no employees in the latter's office, and exercised no control over its operation.

Similarly, the fact that Casco's warranties against defective products were honored by its dealers and its authorized repair station does not mean that the company had a regular and established place of business in Chicago. This activity, although concerned with Casco's products, was conducted at places of business which were independently operated. For more obvious reasons, Casco's maintenance of a bank account in Chicago and the listing of its name in the classified telephone directory do not by themselves signify that Casco had a regular and established place of business in the city.

We next consider Casco's participation in the Housewares Shows. Although the show itself may have been a semiannual event and thus "regular" in that sense, Casco's participation in it constituted a temporary presence in Chicago rather than a regular and established place where

one could transact business with the defendant from day to day and from month to month. Moreover, as the court pointed out in *B. Heller & Co.* v. *First Spice Mfg. Corp.*, 172 F. Supp. 46 (D. C. Ill. 1959), where a similar question was presented, "the [trade] organizations need not have an annual trade show, they need not hold it within this district, they need not rent space to defendants. . . . since these factors are removed from defendants' control, it cannot be said that defendants have a 'regular and established' place of business within this district." Similarly, Casco did not have that degree of control over the Housewares Shows for it to have there an established place of business, that is, one of a permanent or settled character.

Finally, we consider plaintiff's argument that the phrase "regular and established place of business" means a business presence in the district of suit, characterized by systematic business activities of which a substantial portion are carried on at a permanent establishment located in the district. We find no fault with this statement in the abstract. We do not, however, adopt plaintiff's application of it to the facts of this case. Nor do we agree with its argument that the totality of Casco's activities in Chicago show that it was "not 'a gypsy in our midst' but rather has a regular and established place of business" in the district. On the contrary, the very diffusion of its various activities in Chicago is the antithesis of a "regular" and "established" place of business.

Langenfeld's motion to dismiss.

The district judge found that only two sales of the accused irons had been made by Langenfeld and that the prospect of future sales was unlikely since Langenfeld no longer represented Casco. He concluded the matter was *de minimis* and dismissed the complaint.

Plaintiff challenges the district court's ruling initially on the ground that there existed genuine issues of material fact so as to preclude a summary judgment. We do not agree with plaintiff's position. The district judge considered the motion to dismiss on the basis of the pleadings and certain documents which included the affidavits and deposition of Langenfeld's vice president. The undisputed facts disclosed by these papers show that Langenfeld's activity was confined to solicitation of orders except for the sale of two irons to its employees; that it displayed Casco irons but never demonstrated them; that it had no knowledge that Casco might be infringing plaintiff's patent and had no intent to induce infringement of the patent; and finally, that it terminated its relationship with Casco at the end of November, 1963. The complaint, which was filed November 4, 1963, charged Langenfeld infringed the patent by selling and inducing others to sell the accused irons. Plaintiff asked for damages and injunctive relief. Upon a consideration of the complaint made and the relief sought in the light of the foregoing facts, we conclude that the district court was correct in treating the case as proper for summary disposition.

We now address ourselves to the issues of law as to whether Langenfeld violated the statutory prohibitions against selling and using infringing devices and against inducing others to infringe.[2] We hold first that Langenfeld's solicitation activities did not amount to "selling" the accused irons. In *W. S. Tyler Co.* v. *Ludlow-Saylor Wire Co.*, 236 U. S. 723 (1915), the Court was confronted with a similar factual situation as has been set out earlier in this opinion. Noting that the sale followed the solicitation and was consummated by the principal in another state, the Court held that the sale did not constitute a patent infringement in New York where the suit had been

2. 35 U. S. C. § 271(a) and (b).

brought. Consistent with the Supreme Court holding, this court said in *Minnesota Mining & Mfg. Co.* v. *International Plastic Corp.*, 159 F. 2d 554 (7th Cir. 1947): "Where a dealer solicits an order for goods in one State and forwards it to a manufacturer at its home office in another State and the goods are shipped direct by the manufacturer, the sale is considered as having been made in the latter State and does not constitute an infringement of a patent in the former State."

Moreover, even though plaintiff did not charge illegal "use," we hold that Langenfeld was not guilty of "using" the infringing appliances. Although it displayed the accused irons in its office and presented them to potential customers, the record shows that the irons were not operated for demonstration purposes. These acts were not illegal "uses" of the devices. *Marlatt* v. *Mergenthaler Linotype Co.*, 70 F. Supp. 426 (D. C. Cal. 1947).

Finally, because Langenfeld, prior to the suit, lacked knowledge of the alleged infringement by Casco, its solicitation of orders cannot be said to have been active "inducement" of infringement in violation of the patent laws. *Fromberg, Inc.* v. *Thornhill*, 315 F. 2d 407 (5th Cir. 1963). Concerning solicitation activity by Langenfeld subsequent to the filing of the suit as constituting active inducement to infringe, we are of the opinion that this activity, if any, should be treated in the same manner as the two sales were treated by the district court, that is, *de minimis*. Moreover, plaintiff is precluded from urging violations alleged to have occurred after filing of this complaint as evidence of charges contained therein. "A cause of action is to be tested as of the time of the filing of the complaint. . . . and if no act of infringement occurred prior to the filing of the complaint, it is fatally defective . . . and cannot be cured by infringement

occurring subsequent to the filing of the complaint. . . ." *Minnesota Mining & Mfg. Co.* v. *Plymouth Rubber Co.*, 178 F. Supp. 591, 596 (D. C[illegible]l. 1959).

Because Langenfeld's relationship with Casco was terminated within one month after suit was commenced and its infringement was of such insignificance, we think defendant's conduct was properly viewed as *de minimis*. This rendered an award of damages or injunctive relief inappropriate and authorized the court to decline jurisdiction over the action.

It must be noted that the district court dismissed the complaint against Langenfeld "on its merits" after granting the motion to dismiss. Although the court was requested by a motion under Fed. R. Civ. P. 59(e) to alter or amend the order of dismissal by indicating the precise grounds therefore, it refused the request. We believe that the judgment of dismissal should have been granted on the specific ground of a refusal to exercise jurisdiction rather than "on its merits." For this reason we remand with direction to correct the order.

The orders of dismissal, after correction in accordance with the foregoing remand, are hereby affirmed.

APPENDIX B.

IN THE UNITED STATES DISTRICT COURT.

* * (Caption—63-C-1983) * *

Transcript of Proceedings had at the hearing of the above entitled cause before the Honorable Julius J. Hoffman, one of the judges of said court, sitting in his court room in the United States Court House at Chicago, Illinois on the 27th day of May, 1964 at the hour of 10:00 o'clock, a.m.

* * * * *

The Clerk: 63 C 1983, Knapp-Monarch Company *vs.* Casco Products Corp., et al., decision on defendants' motion to dismiss.

The Court: Gentlemen, I asked you to come in here because I wanted to give you some reasons for what I do. My decision may be wrong and the reasons not good, but we did the best we could and we wanted you to know the reasons why.

Knapp-Monarch brings this suit against Casco Products Corp. and E. A. Langenfeld Associates, Inc. for infringement and active inducement of infringement of a patent covering a device incorporated into a steam-spray iron. The amended complaint alleges that Casco's actions were wilful and deliberate and seeks treble damages and attorneys' fees.

The surface relationship between Casco and Langenfeld is a common one in this field. The manufacturer, Casco, contracts with a sales representative, Langenfeld, which has an office in the Merchandise Mart. Langenfeld pays its own rent, salaries, and expenses. It solicits orders for products manufactured by Casco and forwards the orders to

Casco in Connecticut where they are accepted. Shipment is made by Casco direct to the purchaser and payment is made by the purchaser direct to Casco. These facts resemble those in many reported cases. There are, in addition, some distinguishing facts.

The manufacturer, Casco, has moved to dismiss for lack of venue because it is not a resident of Illinois, and has either no regular and established place of business in this district or has not committed any act of infringement in this district.

Langenfeld's motion purports to be a motion to dismiss for failure to state a claim upon which relief can be granted. Rule 12(b)(6). However, the motion and briefs clearly rely upon matters intrinsic to the pleading, which, taken alone, is clearly sufficient. As the plaintiff correctly notes, Rule 12 proves that when, on a motion of this sort, matters outside the pleading are submitted and not excluded by the court the motion should be treated as a motion for summary judgment.

Rule 56(c) provides in pertinent part that:

> "The judgment sought shall be rendered forthwith if the pleadings, depositions, answers to interrogatories and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any material issue of fact and that the moving party is entitled to a judgment as a matter of law."

The allegations of the pleadings are not, by themselves, enough to raise a genuine issue as to a material fact. If that was not clear before the 1963 amendment to Rule 56(c), the two sentences added make it abundantly clear. They are as follows:

> "When a motion for summary judgment is made and supported as provided in this rule, an adverse party may not rest upon the mere allegations or denials of his pleading, but his response, by affidavit or as other-

wise provided in the rule, must set forth specific facts showing that there is a genuine issue for trial. If he does not so respond, summary judgment, if appropriate, shall be entered against him."

The documents here consist of the affidavits of Maurice Lipsich, vice president and secretary-treasurer of Langenfeld, and his deposition taken by the plaintiff.

* * * * *

The plaintiff relies upon six factual admissions which it says are found in Lipsich's deposition. First plaintiff asserts the deposition admits "that Langenfeld had purchased and owned a quantity of the accused devices." Mr. Lipsich at first stated that he did not know how many of the accused devices had been purchased, but when pressed he made a guess of six. This guess was probably intended to be an approximation, made merely to indicate that the number of irons was small. That six was not the correct total seems apparent from other testimony which I shall discuss later.

Second, the deponent is said to have admitted "that Langenfeld displayed the accused devices in its showroom and such devices were available for presentation to prospective customers for the purpose of inducing customers to issue orders for the accused devices."

"Presentation to customers" here means that in the course of the salesman's "pitch" he displayed the accused device to the potential customer.

The third claimed admission is "that Langenfeld's salesmen have carried around and used the infringing devices in soliciting the issuance of orders for the accused devices by exhibiting and leaving (with no expectation of return) specimens of the accused devices owned by Langenfeld at the customers' places of business."

The irons were used only in the sense that they were

displayed as part of the sales presentation; they were never plugged in, never filled with water, never used for the purpose for which they were manufactured. There is nothing that I found in this deposition which justifies the conclusion that the irons left with buyers for examination were left "with no expectation of return." Mr. Lipsich merely stated that the irons referred to "got lost."

The fourth admission is "that Langenfeld has received continuous and systematic payment of commissions based upon sales of accused steam-and-spray irons." The sales were made by Casco, of course, after orders were solicited by Langenfeld.

Fifth, the deponent admitted "that Langenfeld makes regular presentations of the accused steam-and-spray irons to prospective customers." Again this refers to sales presentations, not to gifts of irons.

Sixth, "Langenfeld has also participated in at least two direct sales of the accused devices." Two of the irons purchased by Langenfeld for display purposes were sold to its secretary and a salesman. If we take the two sold to employees, add one said to still be in the Langenfeld office, and note that "some" were returned to Casco for credit after they became shabby from being on display and being handled over a period of time, and that "some" were given to prospective customers' buyers for examination and "got lost," it appears that the total is three plus two "somes."

I do not think it is important to know exactly how many irons were involved. There is no reason to believe that the number was much in excess of six, nor is there any indication that the deponent was attempting to hide anything.

Two additional matters are relevant. First, Langenfeld has no knowledge that the Casco irons might be infringing

the plaintiff's patent and had no intent to induce anyone to infringe that patent. Lipsich so stated in his affidavit and nothing to the contrary appears.

Secondly, Langenfeld is no longer a sales representative for Casco. Casco, it appears, sold or transferred a portion of its business, including the manufacturing of the accused devices, to Hamilton-Beach on November 12, 1963. Langenfeld's contract as a sales representative of Casco was terminated as of the end of November, 1963.

There is no dispute with respect to any of these facts as I have stated them.

The question then is whether these facts show that Langenfeld's activities do not amount to an infringement of the plaintiff's patent, or to active inducement of infringement such as would permit the recovery of damages or injunctive relief.

The plaintiff insists that one sale of an infringing device is sufficient to hold a defendant liable, citing *Neff Instrument Corp.* v. *Cohu Electronics, Inc.*, 269 Fed. 2d 668, Ninth Circuit, 1959, and *Gould-National Batteries, Inc.*, v. *Sonotone Corp.*, 130 U. S. P. Q. 26, which I decided in 1961. Langenfeld admits that two sales were made but points out they were "gift or accommodation sales," using the words of plaintiff's counsel.

Langenfeld urges that such sales are not infringing acts within the meaning of 35 U. S. C. A. Section 271(a) which provides that:

> "Except as otherwise provided in this title, whoever without authority makes, uses or sells any patented invention, within the United States during the term of the patent therefore, infringes the patent."

The argument is to the effect that the word "sells" does not include a sale made as an accommodation to an employee without any profit motive. Such argument to me is unsound.

In the Neff Instrument case, the district court granted summary judgment to the defendant on its defense that any sales made were to the government or to government contractors for the government. If such were the case, plaintiff's only remedy was a suit in the Court of Claims. 28 U. S. C. 1498. The district court found that the number of non-governmental sales which could be proved would not exceed five and held that such a number should not deprive the defendant of its statutory defense. The court of appeals reversed and said that it would not look favorably upon a lax application of the de minimus rule by the district court where the proofs submitted by the defendant were shown to be inaccurate, that the sales actually made were in excess of the number originally admitted by the defendant, that the sales to non-governmental customers were probably 10 or more out of a total sales of about 40, and where advertisements in trade journals indicated a willingness to sell to the trade without restriction to use on government contract work.

In the Gould-National Batteries case the defendants were a manufacturer and a Chicago sales representative, Haines. Haines moved for summary judgment asserting that the small number of the accused rechargeable batteries which he had sold had been to some friends and customers as an accommodation, that he had no knowledge of the subject matter of the suit, that he had no notice of the plaintiff's patents until the suit was filed, and that he had no intention of making further sales during the pendency of the suit. The total sales amounted to $550.00 and one sale had been made after the complaint had been filed and Haines had been served with process. This destroyed the credibility of the disclaimer of intent to make future sales, and I held that the plaintiff was entitled to a forum in which to challenge Haines' activites.

Haines relied upon *LeClair* v. *Shell Oil Co.*, 183 Fed.

Supp. 255, 126 U. S. P. Q. 115, Southern District of Illinois, 1960, in which Judge Poos relied upon the power of equity to decline jurisdiction and dismissed the complaint. I said at the time that the case should be limited to the specific facts involved rather than extended to cover Haines' situation. I think, however, that the LeClair case does cover the situation which we have here. In that case the defendant ordered a data logger which was the accused device. After a trial of some months, the equipment failed to operate properly and was removed. It was certain that it would not be used again by the defendant. If the case had gone to trial, it would have been necessary to obtain a sample of the machinery from Pennsylvania and have it installed at a location convenient to the court at an estimated expense of over $10,000.00. Under the circumstances, dismissal was decreed.

While there is no heavy machinery involved in this case, there are some aspects of the situation which bring it far closer to the LeClair case than to the Gould-National Batteries case. There were only two sales, neither after the complaint was filed. The prospect of future sales is unlikely since Langenfeld is no longer a sales representative of Casco. If the only acts of infringement are those two sales and if, as the facts show, no injunctive relief is appropriate or necessary to the case, I conclude that the matter is de minimus.

The plaintiff contends that there was not only these two sales but also "use" of the accused device. The evidence which we have summarized shows that the irons were displayed, handed to customers and utilized as an enticement to place orders, but never plugged in, filled with water, or otherwise used for their intended purposes. *Scott & Williams, Inc.* v. *Hemphill Co.*, 14 Fed. Supp. 621, Southern District of New York, 1931, is a

case cited by the plaintiff. That case involved a machine for knitting stockings. Demonstrations of the machine were given by the defendant, a non-resident of the district which had manufactured the machine, at its sales office. The stockings made in the course of the demonstration were given away as samples. In *Patent Tube Corp.* v. *Bristol-Meyers Co.*, 25 Fed. Supp. 776, Southern District of New York, 1938, the non-resident defendant manufactured the accused device and distributed it extensively throughout the district by mail and by its salesmen. In *Ronson Art Metal Works* v. *Brown & Bigelow, Inc.*, 104 Fed. Supp. 716, Southern District of New York, 1952, the defendant non-resident manufacturer of a cigarette lighter moved to dismiss for lack of venue, stating that it had not committed any act of infringement within this district. The accused device was demonstrated by lighting during sales presentations, and the method of refilling the lighter was exhibited. In *Transmirra Products Corp.* v. *Magnavox,* 110 Fed. Supp. 676, Southern District of New York, 1953, the fourth case cited by the plaintiff, no facts are given in the opinion. The court stated that the display at a trade show was sufficient to support a claim of infringing acts. In a footnote the court referred to a stipulation of facts which evidenced infringing acts. The case is not enlightening. In the last case cited on this point by the plaintiff, *Aerosol Research Co.* v. *Scovill Mfg. Co.*, 137 U. S. P. Q. 701, Northern District of Illinois, 1963, by Judge Igoe, the defendant was a manufacturer of aerosol spray valves. The valves had been shown to potential customers in this district, their operation explained, and their operation demonstrated to the customers by actual use. In each of these cases the activities of the defendant went far beyond display of a few samples. See *Marlatt* v. *Mergenthaler Linotype Co.*, 70 Fed. Supp. 426, 73 U. S. P. Q. 336,

Southern District of California, 1947, in which the defendant manufacturer had a linotype machine on display at its sales office in Los Angeles but had not operated the machine. These cases should also be carefully considered in this situation because they are cases in which the determination was whether there was an act of infringement for the purpose of determining venue. Some cases have taken a liberal view on this point, but we have here the question of whether those displays or demonstrations constitute an infringement which would support an award of damages or injunctive relief. In the circumstances of this case, I am of the opinion that they would not.

The plaintiff urges that solicitation of orders is sufficient to charge a defendant with patent infringement or active inducement of infringement where there is a financial benefit to the defendant arising out of the solicitations, citing *Patton* v. *Clegg,* 274 Fed. 118, Eastern District of Pennsylvania, 1921, and *New Wrinkle, Inc.* v. *Fritz,* 30 Fed. Supp. 89, Western District of New York, 1939. In the first of these cases the court explicitly held that an employee—and this would apply equally well to an independent contractor salesman—who solicited sales for another could be enjoined from further activities but that an accounting would not be proper. The New Wrinkle case is not a new wrinkle so far as this point is concerned. As I have indicated, injunctive relief does not appear to be appropriate so that this argument is of no assistance to the plaintiff.

The charge of active inducement is sufficiently refuted by the affidavit of Mr. Lipsich that Langenfeld had no knowledge of the plaintiff's patent or any intent to infringe. In *Fromberg, Inc.* v. *Thornhill,* 315 Fed. 2d 407, Fifth Circuit, 1963, the court said:

> "Of course inducement has connotations of active steps knowingly taken—knowingly at least in the sense

> of purposeful, intentional, as distinguished from inadvertent. But with that qualifying approach the term is as broad as the range of actions by which one in fact causes, or urges, or encourages, or aids another to infringe a patent."

315 Fed. 2d at 411. In that case the plaintiff was a manufacturer of a type of plug used to repair a tubeless tire without removing the tire from the wheel. The patented product consisted of a metal sheet and a rubber plug which was forced into the puncture in the tire. The metal shell was then withdrawn, leaving the rubber plug in the hole. The metal shell was expected to be discarded after this single use. The defendant sold a rubber plug which could be inserted into the empty shell by service station employees and went about selling these plugs and demonstrating how the replacement plugs could be used with the plaintiff's metal shell. It was only after the suit was brought that an attempt was made to use the plugs in a conventional manner and that the defendant attempted to claim that the plug was a staple article of commerce with a substantial non-infringing use. But this case involves a product, orders for which were solicited by one who has no knowledge of the plaintiff's patents.

The defendant Langenfeld's motion, treated as a motion for summary judgment, is granted, and it is ordered and adjudged, Mr. Clerk, that the plaintiff take nothing, that the action be dismissed on the merits, and that the defendant Langenfeld recover of the plaintiff its costs.

Now with respect to Casco's motion, we find that it is based upon insufficiency of service of process and lack of venue. These questions depend on whether Casco had a "regular and established place of business" in this district at the time of service of process. Section 1400(b)

of 28 U. S. C. A., which is the sole venue provision in patent infringement suits, *Fourco Glass Co.* v. *Transmirra Products Corp.*, 353 U. S. 222, 1957, provides as follows:

> "Any civil action for patent infringement may be brought in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business."

The requirement of infringing acts and a regular and established place of business applies here because Casco is not a resident of Illinois.

Casco admits that two of the accused devices were sold by it at the Housewares Shows in January and July of 1963, so that the only question is whether Casco had a regular and established place of business in this district.

Casco's activities within this district may be summarized as follows: Casco made showings at the semiannual National Housewares Shows in Chicago in 1963; Casco has a bank account in Chicago; Casco rented a hospitality suite during the Housewares Shows; Casco has an over-the-counter guarantee which allows a retail seller to replace a defective iron with a new one, subject to Casco's final determination that the iron was defective; Casco has authorized Master Electric Service Co., in Chicago, as an authorized service station for repairing Casco products; Casco paid one-half of the Red Book listing under the designation "Casco Authorized Service"; Casco wrote letters to Langenfeld asking assistance in settling disputes between Casco and its customers, whose purchase orders had been solicited by Langenfeld; Casco asked Langenfeld to assist in the collection of delinquent accounts, however, Langenfeld merely filed these letters without taking

any action; Casco paid advertising allowances to customers in Chicago and Langenfeld assisted in preparing the customers' requests for such allowances and forwarded them to Casco; and Casco personnel came to Chicago for the Housewares Shows and also at other times. On occasion salesmen from Langenfeld visited customers with representatives from Casco. It appears that no sales presentations were made on such trips. The only two trips on which we have detailed information were made for the purposes of getting greater color advertising in mail order catalogs and for making arrangements for private label hair dryers.

The cases on "regular and established place of business" are not always completely consistent and reconcilable. Each case presents small differences in fact which may sometimes be thought by one court or another to be sufficient to distinguish them. The Court of Appeals in our Circuit has said that the phrase "regular and established place of business" should not be "narrowed or limited in its construction." *Shelton* v. *Schwartz,* 131 Fed. 2d 805, 808 Seventh Circuit, 1942. In a recent case it affirmed that position and said that "acts of infringement" should be interpreted in the same manner for venue purposes. *Union Asbestos & Rubber Co.* v. *Evans Products Co.,* 328 Fed. 2d 949, 952, Seventh Circuit, March 4, 1964. But in *Schnell* v. *Peter Eckrich & Sons,* 365 U. S. 260, 1961, Mr. Justice Clark, speaking for the Court, quoted the following language from *Olberding* v. *Illinois Central Railroad Co.,* 346 U. S. 338, 340, 1953:

> "The requirement of venue is specific and unambiguous; it is not one of those vague principles which, in the interest of some overriding policy is to be given a 'liberal' construction."

365 U. S. at 264. In the Olberding case the defendant was a non-resident motorist who was involved in an accident

in Kentucky. The Supreme Court held that the Kentucky "long-arm" statute, by virtue of which personal jurisdiction over the defendant had been obtained, did not obviate the need for satisfying the venue statute, 28 U. S. C. A. 1391(a), and that the defendant had not waived the requirement by driving in Kentucky. Since neither party was a resident of Kentucky, where the accident occurred, suit could not be brought there. Congress has since eliminated the difficulty found in this sort of suit by adding 28 U. S. C. A. Section 1391(f), March 1964 Supp., which allows suit in tort claims arising out of involvement with an automobile to be brought in the district where the act or omission occurred. In the Union Asbestos case, a patent infringement case, the manufacturer openly assumed the defense of its customer, controlled the defense, and had a contract to pay all the expenses including any recovery. The Court held that the non-resident manufacturer had not waived the requirements of Section 1400(b). While these two cases are not directly in point, since they do not interpret the provisions of Section 1400(b), they do show a tendency on the part of the Court to interpret venue provisions strictly, and not to broaden those provisions for reasons of "policy."

In *W. S. Tyler Co.* v. *Ludlow-Saylor Wire Co.*, 236 U. S. 723, 1915, the district court had dismissed a patent infringement brought in the Southern District of New York on the ground that the plaintiff had failed to establish either that the defendant had a regular and established place of business in New York City or had committed an act of infringement there. The defendant was a non-resident corporation which employed a sales representative on a salary plus commission plus traveling expenses. The sales representative was also engaged by another company as a sales representative. The other company rented a room which the sales representative used as an office repre-

senting both concerns. The rent on the office and the stenographer's wages were paid by the two concerns. Orders were solicited by the sales representative and forwarded to the home office for acceptance. Other facts disclosed in the record are not stated in the opinion. The Court held that the facts were insufficient to show that the defendant had a regular and established place of business in New York City. The Court went on to say that there was no act of infringement shown either, and this has sometimes been said to be dictum, as has the main holding of the case. See *Shelton* v. *Schwartz,* 131 Fed. 2d 805, 809, Seventh Circuit, 1942, to the effect that the Court's holding was on the ground that there was no act of infringement; and *Union Asbestos & Rubber Co.* v. *Evans Products Co.,* 328 Fed. 2d 949, 952, 1964, recognizing the error made in the Shelton case and stating that the act of infringement statements were dictum.

Given the Tyler case I find it difficult to agree that *Latini* v. *R. M. Dubin Corp.,* 90 Fed. Supp. 212, decided by Judge Campbell of this district in 1950, controls this case. The facts of that case are not exactly the same as that one, since the sales representative in that case had his expenses for office rent and telephone paid by the defendant, and service was made upon the president of the defendant at an industry exposition in Chicago. In *McGah* v. *V-M Corp.,* 166 F. Supp. 663, Northern District of Illinois, 1958, I distinguished the Latini case on similar grounds. While the facts recited in the opinion in McGah tend to indicate that there was no sale in this district, the case does not turn upon that point, for it was never reached. First it was decided that there was no regular and established place of business, which was sufficient to dispose of the case.

A similar approach was taken by the First Circuit in a case in which a different result might have been expected.

General Radio Co. v. *Superior Electric Co.*, 293 Fed. 2nd 949, First Circuit, 1961. The defendant, a non-resident manufacturer, had a sales office in the district where the suit was filed. Its name was on the door, on the building directory, on the outside of the building, in both the alphabetical and Yellow Pages of the telephone directory. A salesman and secretary were employed at the office. The salesman solicited orders throughout a large portion of New England including the district where the office was located. All orders were forwarded to the home office in another state for processing and acceptance. There was no warehouse, bank account, or stock of the product in the district. The Court of Appeals held that the Tyler case required a finding that there was no "regular and established place of business" in the district. While I would not go so far as the First Circuit went, I don't think it is required that I do so in this case.

The facts here show plainly the following: They do not show a regular and established place of business of Casco. The space at the Housewares Shows, the hospitality suite at the hotel, the periodic visits by employees, the over-the-counter guarantee, the bank account, and so forth, show activity in this district. But the question is not activity. There must be a place of business and it must be a regular and established place, not a booth at McCormick Place which is occupied twice a year for a week or two. Neither is the Langenfeld office a place of business of Casco. It is just "word magic," it seems to me, to say that Casco's name is on the building directory but not on the door of the office. But the connection between Casco and Langenfeld is such that the office is Langenfeld's and Langenfeld's alone, and Casco has no interest in the premises. If we were to apply ordinary principles of agency to the situation, I think you could say that Langenfeld is an independent contractor rather than an employee

of Casco. I do not say that such is the test to be applied, but it is an indication of whose place of business the office is.

The defendant Casco's motion to dismiss, Mr. Clerk, will be denied.

I would suggest that counsel for the prevailing parties—and I don't know which is which—prepare a draft order reflecting my views.

Mr. Cook: I believe you might have misspoken, your Honor. I would like to ask the court reporter to read, if she can, your comments with reference to the motion. I believe you stated the motion was denied.

The Court: Did I say denied? I meant to say granted.

Mr. Haas: I heard "denied."

The Court: I beg your pardon. I may have.

I direct the court reporter to correct the transcript and strike the word "denied" and substitute the word "granted." Thank you for calling it to my attention.

* * * * *

APPENDIX C.

IN THE UNITED STATES DISTRICT COURT.
* * (Caption—63-C-1983) * *

ORDER.

Upon consideration of defendant Casco's motion to dismiss the complaint against Casco for lack of venue, upon consideration of supporting and opposing briefs of defendant Casco and plaintiff Knapp-Monarch, and having rendered an oral opinion on May 27, 1964,

It Is Hereby Ordered, Adjudged and Decreed That:

Defendant Casco's motion to dismiss the complaint for lack of venue is granted and the complaint against Casco is dismissed.

May 28, 1964.

Julius J. Hoffman,
Judge.

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IN THE

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM 1965

NO. 266

KNAPP-MONARCH COMPANY,
Petitioner,

v.

CASCO PRODUCTS CORPORATION,
Respondent.

RESPONDENT'S BRIEF IN OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI

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IN THE

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NO. 266

KNAPP-MONARCH COMPANY,

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CASCO PRODUCTS CORPORATION,

Respondent.

RESPONDENT'S BRIEF IN OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT

INTRODUCTION

Respondent respectfully requests that the Supreme Court of the United States deny petitioner's Petition for a Writ of Certiorari to review the judgment of the United States Court of Appeals for the Seventh Circuit, entered on March 23, 1965, in its cause No. 14,788.

Respondent accepts the statements set forth by petitioner under the headings "Opinions Below," "Grounds of the Court's Jurisdiction," and "Statutes Involved."

PETITIONER'S QUESTION PRESENTED

Respondent denies that this case presents any question that merits the attention of this Court and, further, sub-

mits that "Petitioner's Question Presented" should more properly have been stated as follows:

"Contrary to its own decisions, should this Court in determining whether or not venue lies in a patent infringement action ignore the 'regular and established place of business' test in the patent venue provision of 28 U.S.C. 1400(b) and adopt instead the 'doing business' test in the general venue provision of 28 U.S.C. 1391(c)?"

SUPPLEMENTAL STATEMENT OF THE CASE

The statement of facts in petitioner's petition omits certain facts found by the District Court, and respondent Casco submits the following supplementary statements, none of which are in dispute.

Respondent Casco and Langenfeld[1] have the classical relationship of a manufacturer and an independent manufacturer's representative (A. 16).[2] Respondent Casco's activities consist of manufacturing, using, and routinely selling its products elsewhere than the district of suit, while Langenfeld's representation activities comprise the solicitation of orders for respondent's products. The orders are forwarded to respondent's principal place of business and sole manufacturing facility in Bridgeport, Connecticut, where the orders are accepted and the sales consummated. Respondent Casco makes shipments directly to the purchaser and the purchaser makes payments directly to respondent.

Respondent has no office, no sales room, no warehouse, no distribution facility, no plant, and no facility of any

1. Langenfeld is an abbreviation for E. A. Langenfeld Associates, Ltd., defendant in District Court and Court of Appeals action, but not a party to the petition. Langenfeld is a manufacturer's representative for four manufacturers including respondent.

2. Designation (A....) refers to the appendix attached to petitioner's-appellant's brief in the Court of Appeals.

kind in the district of suit. Respondent has no salaried sales force or employees of any kind working at, residing in, or operating out of either Langenfeld's office or any other location in the district of suit. Under Casco's agreement, Langenfeld is "an independent businessman. As such, he shall pay any and all expenses which he may incur in acting as a manufacturer's representative, including but not limited to travel, secretarial, telephone and office expenses . . ." (A. 16). As stated by the District Court, "the connection between Casco and Langenfeld is such that the office is Langenfeld's and Langenfeld's alone, and Casco has no interest in the premises." (A. 95)

REASONS FOR DENYING GRANTING OF WRIT

A. No Basis Exists Under Supreme Court Rule 19(b) For Granting Writ of Certiorari.

This Court in *Magnum Import Company* v. *Coty et al.*, 262 U.S. 159, 163 (1923) stated specifically that, with respect to writs of certiorari, *"The jurisdiction was not conferred upon this court merely to give the defeated party in the Circuit Court of Appeals another hearing."* (Emphasis added.).

No unusual, unsettled, conflicting, or important matters of public policy have been raised by the petitioner. The petition is an attempt to further petitioner's own objectives of asking the Court for "another hearing" of this patent venue issue—which was fully briefed before the District Court and fully briefed and argued before the Seventh Circuit.

The question of proper venue in patent infringement actions is frequently raised in patent cases and, clearly, is a question of Federal law. However, the Supreme Court has previously decided that the general venue provisions (28 U.S.C. 1391(c)) and the patent venue provisions (28 U.S.C. 1400(b)) are mutually exclusive. Hence, indirectly,

if not directly, this Court has held that the "doing business" test of the general venue provisions of Section 1391(c) is not the test to be applied to the patent venue provisions of Section 1400(b).[3] More importantly, this Court has passed on the "regular and established place of business" issue and resolved it favorably to a respondent in a case involving a fact situation generally similar to the one in the present case.[4]

Hence, this Court has previously settled "important" patent venue questions and should not be imposed upon to pass on unimportant, detailed questions of the type defined by petitioner. Such unimportant, detailed, or precise patent venue questions should be, and actually have been, resolved *without conflict* by the First and Seventh Circuit Courts and many District Courts. As such, they are not within the scope of Rule 19(b).

Petitioner asserted that the Seventh Circuit's decision is in conflict with prior court decisions, which petitioner readily admits are prior **District Court** decisions only. Actually, these District Court cases are factually distinguishable from the facts of the present case and, therefore, are *not* in conflict with the decision below.[5] In any event, the

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3. *Fourco Glass Co.* v. *Transmirra Products Corp. et al,* 353 U. S. 222 (1957); *Schnell et al* v. *Peter Eckrich & Sons, Inc. et al,* 365 U. S. 260 (1961); *Stonite Products Co.* v. *Melvin Lloyd Co.,* 315 U. S. 561 (1942).

4. *W. S. Tyler Company* v. *Ludlow-Saylor Wire Company,* 236 U. S. 723 (1915).

5. Furthermore, petitioner suggests on page 8 of its petition that *no* Court of Appeals or District Court after finding that a defendant committed an act of infringement "dismissed for lack of venue on the basis that the non-resident defendant is only represented locally by a sales representative." As a matter of fact, many of these courts have held that a defendant had *no* "regular and established place of business," even though it *had* committed acts of infringement in the districts in question. See *Phillips et al* v. *Baker et al,* 121 F.2d 752 (9 C.A., 1941); *B. Heller & Company* v. *First Spice Manufacturing Corp. et al,* 172 F.Supp. 46 (D.C. Ill., 1959); *E. H. Sheldon & Company* v. *Norbute Corporation,* 228 F. Supp. 245 (D.C. Pa., 1964).

Seventh Circuit's decision below is **not** in conflict with "the decision of another Court of Appeals" as prescribed by Supreme Court Rule 19(b).

Finally, petitioner asserts that the Seventh Circuit's decision has so far departed from decisional authority as to call for the exercise of this Court's power of supervision. On the contrary, the Seventh Circuit's decision clearly followed the prior decisions of the Supreme Court and the First Circuit.[6] In summary, no basis exists under Rule 19(b) for granting the Writ of Certorari.

B. The "Doing Business" Test of 28 U.S.C. 1391(c) as Proposed by Petitioner Should Not Be Substituted for the "Regular and Established Place of Business" Test of 28 U.S.C. 1400(b).

In *Fourco Glass Co.* v. *Transmirra Products Corp. et al.*, 353 U.S. 222, 229 (1957), this Court aptly stated:

> "We hold that 28 U.S.C. 1400(b) is the sole and exclusive provision controlling venue in patent infringement actions, and that it is not to be supplemented by the provisions of 28 U.S.C. 1391(c)."

In *Schnell et al.* v. *Peter Eckrich & Sons, Inc. et al.*, 365 U.S. 260 (1961), this Court on page 264 stated that the "requirement of venue is clear and unambiguous; it is not one of those vague principles which, in the interest of some overriding policy, is to be given a 'liberal' construction." This Court also stated on page 262-3, as follows:

> "The language of this special statute is clear and specific . . . and for us to enlarge upon the mandate of the Congress as to venue in such patent actions would be an intrusion into the legislative field."

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6. *Fourco Glass Co.* v. *Transmirra Products Corp. et al*, supra; *Schnell et al* v. *Peter Eckrich & Sons, Inc. et al, supra; W. S. Tyler Company* v. *Ludlow-Saylor Wire Company*, 236 U.S. 723 (1915); *General Radio Company* v. *Superior Electric Company*, 293 F.2d 949 (1 C.A. 1961).

The thrust of the petition is that the above statements of this Court should be ignored and the "doing business" test of 28 U.S.C. 1391(c) substituted for the "regular and established place of business" test of 28 U.S.C. 1400(b). Actually, this specific argument has been advanced before and generally refuted by the Supreme Court; specifically considered and rejected by the Ninth Circuit Court of Appeals, for example; and expressly repudiated by various District Courts.[7]

In support of its position, petitioner relies upon the **District Court** case of *Ronson Art Metal Works, Inc.* v. *Brown & Bigelow, Inc.*, 104 F.Supp. 716 (D.C. N.Y., 1952). However, the court did *not* adopt petitioner's substituted test, but on the contrary, recognized *different* statutory tests for the general and patent venue sections. In the *Ronson case*, the defendant occupied, regularly maintained, and actually paid for three offices which were used by executive, secretarial, accounting, and sales personnel of the defendant. Such activity obviously satisfied the "regular and established place of business" test.

Hence, petitioner's petition is unsupported by any court decisions and seeks to judicially modify the venue language of 28 U.S.C. 1400(b) contrary to the prior expressions of this Court in the *Fourco* and *Schnell* cases. Petitioner's appeal should be to the Congress and not this judicial body.

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7. *Fourco Glass Co.* v. *Transmirra Products Corp. et al*, supra; *Schnell et al* v. *Peter Eckrich & Sons, Inc. et al*, supra; *Stonite Products Co. v. Melvyn Lloyd Co.*, supra; *Phillips et al* v. *Baker et al*, supra; *William J. McGah* v. *V-M Corporation et al*, 166 F.Supp. 662 (D.C. Ill., 1958); *B. Heller & Co.* v. *First Spice Manufacturing Corp.*, supra; *New Wrinkle, Inc.* v. *Fritz et al*, 30 F.Supp. 89 (D.C. N.Y., 1939).

C. Respondent Has No Regular and Established Place of Business Under Applicable Decisional Authority.

In a well-considered and detailed opinion, the Honorable Julius J. Hoffman of the District Court held that, although respondent Casco had sold two of the accused devices, respendent had no "regular and established place of business" in the district of suit. In a similarly well-considered and detailed opinion, the Court of Appeals reached the same conclusion and affirmed. Contrary to the assertions of petitioner, the decisions below did *follow* the Supreme Court, First Circuit, and applicable District Court decisions.[8] On facts less favorable than the present case, this court in the *Tyler case* stated on page 725, "Considering all the facts disclosed we think them insufficient to support the allegation that appellee had a regular and established place of business . . . within the intendment of the statute."

In support of its position, petitioner only cites the District Court case of *Chadeloid Chemical Co.* v. *Chicago Wood Finishing Co., et al.*, 180 Fed. 770, 771 (D.C. N.Y., 1910). The court said "the facts . . . show that Olmstead's (representative's) office was known by the defendants to serve on occasion as a place of distribution." In the present case, Langenfeld's office has *never* served as a distribution facility for respondent and Langenfeld has never made the representations made by Olmstead in the *Chadeloid case*. Moreover, the court that decided the *Chadeloid case* was the same court that later decided the *Brevel Products case;* this same court ignored the *Chadeloid case* and held that the defendant had no "regular and established place of business."

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8. *W. S. Tyler Company* v. *Ludlow-Saylor Wire Company*, supra; *General Radio Company* v. *Superior Electric Company*, supra; *Brevel Products Corp.* v. *H & B American Corporation et al*, 202 F.Supp. 824 (D.C. N.Y., 1962), although not cited in the decisions below, the facts of this case are almost on all fours with the present case.

Petitioner urges that respondent's activities in the district of suit are tantamount to a "regular and established place of business." Among the activities mentioned are Casco's authorization to Master Electric Co. to repair Casco's products, Casco's across-the-counter replacement policy, and Casco's attendance for about one week during January and July of 1963 at the National Housewares Show in Chicago. This latter activity is typical of Casco's other activities and has been held to be in *no way* probative of the existence of a regular and established place of business in the district of suit.[9]

With full knowledge of respondent's activities in the district of suit and relying upon the above Supreme Court cases, First Circuit case, and the *B. Heller case,* the Seventh Circuit below pointedly concluded (AA. vi)[10] *"On the contrary, the very diffusion of its various activities in Chicago is the* **antithesis** *of a* **'regular'** *and* **'established'** *place of business."*

CONCLUSION

As aptly stated in the *Brevel Products case,* supra, "an essential prerequisite for a finding of venue" under 28 U.S.C. 1400(b) "is that the defendant *actually maintains, in the words of the statute* 'a regular and established place of business' within the district." (Emphasis added.)

Respondent has no office, no sales room, no warehouse, no distribution facility, no plant, and no facility of any kind in the district of suit. Respondent has no salaried sales force or employees of any kind working at, residing in, or operating out of either Langenfeld's office or any other location in the district of suit.

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9. *John F. Mastantuono* v. *Jacobsen Manufacturing Company,* 184 F.Supp. 178 (D.C. N.Y., 1960); *B. Heller & Company* v. *First Spice Manufacturing Corp. et al,* supra.

10. Designation (AA. . .) refers to appendix attached to petitioner's petition.

For the reasons discussed, respondent respectfully requests that the Writ of Certiorari be denied.

Respectfully submitted,

HOWARD W. CLEMENT
GRANGER COOK, JR.
Attorneys for Respondent

PROOF OF SERVICE

It is hereby certified that four copies of the foregoing "Respondent's Brief in Opposition to Petition for a Writ of Certorari" were delivered to and served on Mr. Norman Lettvin, Bair, Freeman & Molinare, 135 South LaSalle Street, Chicago, Illinois, on July 14, 1965.

GRANGER COOK, JR.
Attorney for Respondent

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